

Tax Information Bulletin

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California State Board of Equalization
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New tax rates to take effect on April 1, 2008

City of Ceres 7.875%

Voters in the City of Ceres, located in Stanislaus County, approved a 0.50% City of Ceres Public Safety Transactions and Use Tax (CRPS/173), which will increase the tax rate within city limits to 7.875% from 7.375% effective April 1, 2008. The tax rates in areas outside the city limits of Ceres will remain the same.

City of Delano 8.25%

Voters in the City of Delano, located in Kern County, approved a 1.00% City of Delano Public Safety Transactions and Use Tax (DLNO/170), which will increase the tax rate within city limits to 8.25% from 7.25% effective April 1, 2008. The tax rates in areas outside the city limits of Delano will remain the same.

City of Hollister 8.25%

Voters in the City of Hollister, located in San Benito County, approved a 1.00% City of Hollister Transactions and Use Tax (HLST/171), which will increase the tax rate within the city limits to

8.25% from 7.25% effective April 1, 2008. The tax rates in areas outside the city limits of Hollister will remain the same.

City of Selma 8.475%

Voters in the City of Selma, located in Fresno County have approved a 0.50% City of Selma Public Safety Transactions and Use Tax (SLMA/169), which will increase the tax rate within the city limits to 8.475% from 7.975% effective April 1, 2008. The tax rates in areas outside the city limits of Selma will remain the same.

Is your address in the city limits or unincorporated county?

You should verify that your business is located within a city that has a district tax before collecting the increased tax rate. District boundaries are generally defined by city and county lines. Many California zip codes overlap city and county lines. To determine which district taxes affect your sales, visit this page on the BOE's website: www.boe.ca.gov/sutax/city_addresses.htm, or if the city you are looking for is not listed on our website you may contact the city directly.

For more information

If you have any questions regarding this notice, please call our Taxpayer Information Section at 800-400-7115. Staff are available from 8:00 a.m. to 5:00 p.m., Pacific time, Monday through Friday, except state holidays.

Use tax update

What is use tax and why would I owe it on an out-of-state purchase?

Use tax applies when you use, store, give away, or otherwise consume out-of-state purchases of merchandise in this state, unless you were charged California tax on your purchase by the out-of-state retailer. Purchases subject to use tax can be made on the Internet, by telephone, mail, or in person. Don't be confused - Internet access remains tax free, but purchases made on the Internet are not. If you are a California resident or business and you purchased merchandise from a retailer in another state or country, you may owe California use tax on your purchase.

Effective January 1, 2008, the use tax exemption for hand-carried items will increase.

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Prior to January 1, 2008, the first \$400 of tangible personal property that was both purchased in a foreign country and personally hand-carried into this state was exempt from the use tax. Effective January 1, 2008, the use tax exemption has increased to the first \$800.

How do I pay use tax?

If your business is required to have a seller's permit, report the amount of untaxed business-related purchases on your sales and use tax return line, "Purchases subject to use tax." Your untaxed, non-business related purchases should be reported and paid on your California state income tax return or on the BOE-401-DS, Use Tax return included in publication 79-B, *California Use Tax*.

Special rules concerning use tax apply to purchases of vehicles, boats, and aircraft.

Use tax information on business property statements

Senate Bill 87

- Establishes streamlined property tax administration procedures to use in the assessment of fractionally owned aircraft using a centralized approach whereby the manager in control of the aircraft fleet would file a single property statement with a designated "lead" county. It also provides for coordinated multi-county audits.
- Requires annual business property statements filed with county assessors for property tax purposes to include information about the use tax.

How do I find out more?

If you have any questions or need further clarification on use tax, please visit our website at www.boe.ca.gov, or contact our Taxpayer Information Section at 800-400-7115.

Purchases made in California for export

In general, the sale of merchandise to a resident of another country is taxable if the buyer takes possession of the item in this state—even temporarily—or uses the item before it is shipped abroad.

However, some sales to foreign residents qualify as exports and are not subject to California sales or use tax. If you sell an item that will be shipped abroad before use and you ship it directly to a foreign destination or to a qualified person who will export the item, your sale may not be taxable. Please note that foreign travelers cannot obtain refunds of sales tax paid on California purchases.

For additional information, please see Regulation 1620, *Interstate and Foreign Commerce*, or publication 104, *Sales to Residents of Other Countries*. You may also wish to obtain publication 101, *Sales Delivered Outside California*, available from our Taxpayer Information Section and on our website.

E-Filing update

Choose what is best for you

You now have two options when e-filing your tax returns and prepayments through BOE-file (the Board's free e-filing system). You can register to become an e-client or use the new Express Login. Express Login allows you to go straight to e-filing a return or prepayment with just your account number and unique Express Login Code printed on your return or prepayment.

Three ways to pay

In addition to credit card and ACH debit payment methods, you can now electronically file your return and pay amounts due with a paper check. Simply choose

"paper check" as your payment option. After your return is electronically submitted, a voucher will print below the confirmation page showing the balance due, including penalty and interest, if applicable. Mailing instructions are included on the voucher.

Important reminder when paying by credit card

If you choose to pay amounts due with your e-filed return or prepayment by credit card you will be automatically directed to the credit card payment processor's website to complete your payment. You will receive a payment confirmation number, but you must still return to the BOE's website to complete your e-filed return or prepayment. After your return is electronically submitted you will receive a filing confirmation number.

Need to see your last BOE-filed return?

If you are registered as an e-client you can view and print the confirmation page of a previously BOE-filed return or prepayment. The confirmation page displays the reported tax and payment information for the period selected.

Exemption on new children's clothing expanded and extended

The exemption for sales of new children's clothing sold to non-profit organizations that qualify for tax exempt status has been extended to January 1, 2014. This expands the exemption to:

- Apply to the free distribution of clothing to all individuals under the age of 18, rather than just elementary school children; and



- Include nonprofit organizations that have exempt status (under RTC section 23701f), and
- Eliminates the requirement that the non-profit organization be engaged in poverty and distress.

Section 23701f organizations are also non-profit and include civic leagues or organizations that operate to promote social welfare or local associations of employees that are devoted exclusively to charitable, educational or recreational purposes. For more information, visit www.boe.ca.gov.

Laws on jewelry and packaging in effect

The Department of Toxic Substances Control (DTSC) is responsible for implementing two consumer product laws that affect many businesses: the Lead-Containing Jewelry Law and the Toxics in Packaging Prevention Act.

Lead-containing jewelry law

Effective September 1, 2007, for children's jewelry and March 1, 2008, for all other jewelry, including body piercing jewelry, a person must not manufacture, ship, sell or offer for sale jewelry for retail sale in California unless it is made entirely from specific materials identified in the law. The law restricts the amount of lead in jewelry and sets separate standards for children's jewelry, body piercing jewelry, and all other jewelry. Failure to comply may result in penalties up to \$2,500 per day for each violation. See DTSC's Lead in Jewelry web page at www.dtsc.ca.gov/LeadInJewelry.cfm for more information about the law.

Toxics in packaging prevention act

Effective January 1, 2006, the law prohibits the intentional introduc-

tion of cadmium, lead, mercury, and hexavalent chromium in product packaging and packaging components. The law affects manufacturers and suppliers of packaging and packaging components. This law also limits the incidental presence of these metals to 100 parts per million (ppm) by weight total in product packaging and packaging components. Manufacturers and suppliers must provide a "Certificate of Compliance" to the purchaser of packaging and packaging components stating that their product complies with the law. The law provides certain exemptions from compliance with these statutory requirements. See DTSC's Toxics in Packaging web page at www.dtsc.ca.gov/ToxicsInPackaging/index.cfm for more information about the law, including links to sample certificates of compliance.

Board sponsored provision will provide additional appeals rights to taxpayers

Unlike other penalties imposed by law for late payments, the law does not provide a mechanism to provide relief of a negligence penalty when a person fails to make a prepayment due to reasonable cause. Instead, taxpayers must pay the penalty and file a claim for refund. If the claim for refund is denied, the taxpayer may then pursue his or her appeals rights.

The newly amended Law section 6478 provides appeal rights to taxpayers who have been assessed a 10 percent penalty for failure to make a prepayment due to negligence or intentional disregard. This bill allows the 10 percent negligence penalty law to be assessed as a deficiency determination

in order to allow taxpayers the opportunity to dispute the negligence penalty by filing a petition for redetermination.

For more information

Information concerning appeal rights to taxpayers is found on our website at www.boe.ca.gov, or by calling our Taxpayer Information Section at 800-400-7115 (TDD/TTY: 800-735-2929). Staff are available weekdays from 8:00 a.m. to 5:00 p.m. Pacific time, except state holidays.

In-State Use Tax Voluntary Disclosure Program ended December 31, 2007

From January 1, 2004, through December 31, 2007, the In-State Voluntary Disclosure Program allowed qualified purchasers within California who were not otherwise required to hold a seller's permit to report and pay their use tax liability with a three-year statute of limitations. With the expiration of this code section, the statute of limitation period for qualifying use tax liabilities under this program will lengthen to eight years.

Although, the In-State Voluntary Disclosure Program is no longer available, the BOE encourages all qualified purchasers of tangible personal property to register now. The BOE may waive late filing or late payment penalties in cases where circumstances are beyond your control or you can give a good reason for your failure to file which demonstrates your lack of understanding of the law and the absence of willful neglect.

A special notice announcing the termination of this program is being distributed to all Certified

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Public Accountants, Enrolled Agents, and to members of the California Tax Education Council. Accompanying the special notice mailing is a flyer reminding tax professionals that income tax time is approaching and their client can report and pay use tax owed for their purchases made during 2007 tax year on their income tax return.

Unregistered Out-of-State Businesses with Nexus in California - Voluntary Disclosure Program effective January 1, 1995, is still retained.

The Voluntary Disclosure Program provides incentives for unregistered out-of-state companies to satisfy their use tax obligations. Circumstances where a retailer is considered to be engaged in business in California, commonly referred to as "nexus" are required to collect use tax on sales of taxable merchandise to consumers in California. This program was designed to encourage out-of-state retailers who have failed to collect and pay this tax to voluntarily come forward and register. Some of the benefits of this program are:

- Limits the time the BOE can make an assessment for prior taxes to three years. Without this section, the applicable statutory period would be eight years.
- Allows the BOE to waive late filing or late payment penalties.

Applicants may obtain a written opinion as to whether or not the BOE would be inclined to approve a voluntary disclosure request based on circumstances presented anonymously.

For more information

For more information on the In-State Voluntary Disclosure Program, and the Unregistered Out-of-State Businesses with Nexus in California - Voluntary Disclosure Program, please visit our website,

www.boe.ca.gov, or call our Taxpayer Information Section at 800-400-7115, (TDD/TTY: 800-735-2929). Staff are available to take your calls from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday, excluding state holidays.

Small business fairs

To help you with the ins and outs of running your business, we've developed a free "one-stop-shop" event for small business owners. Representatives from government agencies and nonprofit organizations will be there to assist you in learning how to manage a successful business. Be sure to check www.boe.ca.gov for the 2008 schedule of small business fairs.

Know your rights

As a taxpayer, you have many rights under the law, including the right to:

- Receive information and assistance to help you comply with the law
- Be treated fairly and courteously, and receive prompt service
- Appeal a decision or claim a refund as allowed by law

Of course, along with those rights, you have certain responsibilities, including:

- Keeping informed about tax laws and regulations
- Reporting and paying taxes and fees when due
- Maintaining adequate records

For more information order publication 70, *Understanding Your Rights as a California Taxpayer*.

Civil behavior in trying times

We know that you may find yourself frustrated with the difficulties of the tax law or pressed for time when dealing with our staff. Still, we ask that you treat our employees just as you would like to be treated in a business situation.

Any statement or gesture made to a Board of Equalization employee that seems remotely like a threat—even a statement made in jest—will be referred to our Internal Security and Audit Division for investigation.

New or revised reference material

New Publications

160 Where to File California and Federal Investigative Complaints 11-07

Revised Publications

54 Tax Collection Procedures 10-07
78 Sales of Cigarettes and Tobacco Products in California 11-07

New Translated Publications

152-A Cigarette and Tobacco Product Sales Compliance Inspections (Arabic) 1/07

Revised Translated Publications

91-S California Tire Fee (Spanish) 3/07

For More Information

All telephone numbers are toll-free

Internet

www.boe.ca.gov ■ www.taxes.ca.gov

Taxpayer Information Section

800-400-7115 ■ TDD/TTY: 800-735-2929

Requests for Fax Copies

800-400-7115 (Choose automated services)

Seller's Permit Verification

888-225-5263 ■ www.boe.ca.gov

Taxpayers' Rights Advocate

888-324-2798 ■ www.boe.ca.gov

Tax Evasion Hotline

888-334-3300

State Legislation

www.leginfo.ca.gov/bilinfo.html